DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH CARE FINANCING ADMINISTRATION

FORM APPROVED
OMB NO. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: HEALTH CARE FINANCING ADMINISTRATION	1. TRANSMITTAL NUMBER: 03 - 26	2. STATE: TEXAS
	3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES	4. PROPOSED EFFECTIVE DATE: October 16, 2003	

5. TYPE OF PLAN MATERIAL *(Circle One)*:

☐ NEW STATE PLAN ☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN ☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT *(Separate Transmittal for each amendment)*

6. FEDERAL STATUTE/REGULATION CITATION:	7. FEDERAL BUDGET IMPACT: SEE ATTACHMENT a. FFY **04** **$ (4,591,048)** b. FFY **05** **$ (6,778,044)**
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: **SEE ATTACHMENT**	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*: **SEE ATTACHMENT**

10. SUBJECT OF AMENDMENT:
This amendment updates the Reimbursement Methodology for the Pharmacy Dispensing Fee.

11. GOVERNOR'S REVIEW *(Check One)*:

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL
☒ OTHER, AS SPECIFIED:
Sent to Governor's Office this date. Comments, if any, will be forwarded upon receipt.

12. SIGNATURE OF STATE AGENCY OFFICIAL:	16. RETURN TO:
13. TYPED NAME: **Jason Cooke**	**Jason Cooke** **State Medicaid/CHIP Director** **Post Office Box 13247** **Austin, Texas 78711**
14. TITLE: **State Medicaid/CHIP Director**	
15. DATE SUBMITTED:	

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED: 19 DECEMBER 2003	18. DATE APPROVED: 15 March 2004
PLAN APPROVED – ONE COPY ATTACHED	
19. EFFECTIVE DATE OF APPROVED MATERIAL: 16 OCTOBER 2003	20. SIGNATURE OF REGIONAL OFFICIAL:
21. TYPED NAME: ANDREW A. FREDRICKSON	22. TITLE: ASSOCIATE REGIONAL ADMINISTRATOR DIV OF MEDICAID & CHILDREN'S HEALTH

23. REMARKS:

FORM HCFA – 179 (07-92)

Attachment to Blocks 8 & 9 to HCFA Form 179

Transmittal No. TN 03-26, Amendment No. 661

Number of the Plan Section or Attachment	**Number of the Superseded Plan Section or Attachment**
Attachment 4.19-B	Attachment 4.19-B
Page 2b	Page 2b 97-15
Page 2c	Page 2c 01-19
Page 2c.1	Page 2c.1 01-19

Item 5. Reimbursement Methodology for the Pharmacy Dispensing Fee

I. General

The upper limit for payment for prescribed drugs, whether legend or nonlegend items, will be based on the lower of cost as defined by the Texas Health and Human Services Commission (HHSC) or its designee plus a dispensing fee as defined and determined by HHSC or its designee or the usual and customary charge. Where a public agency makes bulk purchases of drugs, payment will be made in accordance with the governmental statutes and regulations governing such purchases in accordance with the agreement between such public agency and HHSC or its designee. These provisions do not apply to payment for drugs in hospitals and other institutions where drugs are included in the reimbursement formula and vendor payment to the institution.

HHSC or its designee will advise the Centers for Medicare and Medicaid Services (CMS) in writing of the uniform, reasonable dispensing fee which will be used to establish how the State is in compliance with the upper limit as specified in the regulations and as determined by the methodology described in this Plan. Such notice will specify the time period for which it is effective.

II. Reimbursement Methodology

HHSC or its designee reimburses contracted Medicaid pharmacy providers according to the dispensing fee formula defined in this section. The dispensing fee is determined by the following formula: Dispensing Fee = (((Estimated Drug Ingredient Cost + Estimated Dispensing Expense) divided by (1 - Inventory Management Factor)) - Estimated Drug Ingredient Cost) + Delivery Fee.

A. Drug Ingredient Cost

The estimated drug costs are defined in Section IIC (Legend and Nonlegend Medications)) and IID (Texas Maximum Allowable Cost).

B. Dispensing Fee Determination

(1) The estimated dispensing expense was $5.27 effective September 1, 1997. The estimated dispensing expense effective October 16, 2003, is $5.14.

(2) The inventory management factor was 2.0% prior to October 16, 2003, and is 1.95% effective October 16, 2003.

(3) The total dispensing fee shall not exceed $200 per prescription.

TN 97-15

STATE Texas
DATE REC'D 19 Dec 2003
DATE APPV'D 15 Mar 2004
DATE EFF 16 Oct 2003
HCFA 179 03-26

A

(4) A delivery fee shall be paid to approved providers who certify a form prescribed by HHSC or its designee that the delivery services meet minimum conditions for payment of the fee. These conditions include: making deliveries to individuals rather than just to institutions, such as nursing homes; offering no-charge prescription delivery to all Medicaid recipients requesting delivery in the same manner as to the general public; and publicly displaying the availability of prescription delivery services at no charge. The delivery fee is $0.15 per prescription and is to be paid on all Medicaid prescriptions filled. This delivery fee is not to be paid for over-the-counter drugs, which are prescribed as a benefit of this program.

C. Legend and Nonlegend Medications

For all medications, legend and nonlegend, covered by the Vendor Drug Program (VDP) and appearing in the Texas Drug Code Index (TDCI) and updates, the following requirements must be met.

(1) A pharmaceutical provider is reimbursed based on the lesser of the HHSC's best estimate of acquisition cost (EAC) plus the HHSC's currently established dispensing fee per prescription or the usual and customary price charged the general public.

(2) EAC is defined as wholesale estimated acquisition cost (WEAC); direct estimated acquisition cost (DEAC), according to the pharmacist's usual purchasing source and the pharmacist's usual purchasing quantity; or maximum allowable cost (MAC) for multi-source drugs.

A. EAC is verifiable by invoice audit conducted by HHSC to include necessary supporting documentation that will verify the final cost to the provider.

B. All drug purchases through a central purchasing agreement or from a central purchasing entity must be billed to HHSC or its designee as warehouse purchases

C. The WEAC is established by HHSC or its designee using market sources, which include, but are not limited to: the current Redbook; Redbook Update; First Databank; First Alert; or reported manufacturer pricing.

STATE Texas
DATE REC'D 19 Dec 2003
DATE APP'D 15 Mar 2004
DATE EFF 16 Oct 2003
HCFA 179 03-26
A

TN 01-19

D. The WEAC may not exceed average wholesale price (AWP) - 15% or wholesaler cost, as supplied by the drug manufacturers, plus an amount (12%) representing wholesaler operating costs and profits under current market conditions. The lesser of the AWP-15% or wholesaler cost + 12% reimbursement amount will be selected for each covered product.

E. Market conditions will be examined at least every two years. Market conditions will be determined from information supplied to HHSC or its designee by reliable sources, which include, but are not limited to the manufacturer, the wholesaler, and contracted providers. Exception to general pricing determinations may be made on certain drugs and/or drug categories based on information from these same market sources.

F. The DEAC is established by HHSC or its designee using direct price information supplied by drug manufacturers. Providers are reimbursed only at the DEAC on all drug products that are available from select manufacturers/distributors who actively seek and encourage direct purchasing. The TDCI is used as the reference for drugs included in the scope of benefits and for allowable package sizes. No acquisition cost is billed to HHSC or its designee for samples dispensed.

(3) Reimbursement for nonlegend drugs is based on the lesser of the usual and customary price charged to the general public or EAC plus 50% of the EAC.

(4) Notice of a public hearing to receive comments on proposed changes to general pricing determinations derived under these policies shall be published in the Texas Register.

(5) Definitions. As used in Section IIC, these terms shall be defined as follows:

A. Reported Manufacturer Price -- Information on pricing submitted to VDP by the manufacturer, including Average Wholesale Price, Average Manufacturer Price, wholesaler costs, direct prices and institutional or contract prices.

B. Reliable Sources -- Sources including other state/federal agencies and pricing services, as well as verifiable reports by contracted pharmacists - and VDP field staff.

C. Market Conditions -- Conditions within the overall retail and wholesale pharmacy drug marketplace.

D. Wholesale Costs -- The net cost of a product to a drug wholesaler or distributor.

SUPERSEDES TN 01-19

STATE Texas
DATE REC'D 19 Dec 2003
DATE APP'VD 15 Mar 2004
DATE EFF. 16 Oct 2003
HCFA 179 03-26

A